

**RESTRICTED USE REPORT**

*LAND AND RESTAURANT/OFFICE BUILDING LOCATED AT*

“THE OLD POST OFFICE”  
1 CENTER STREET, FAYETTEVILLE,  
WASHINGTON COUNTY, ARKANSAS

*FOR*

SANDRA BENNETT  
FAYETTEVILLE ADVERTISING & PROMOTION COMMISSION  
FAYETTEVILLE, ARKANSAS

*AS OF*

DATE OF REPORT – MARCH 19, 2012  
DATE OF INSPECTION – MARCH 15, 2012  
DATE OF VALUATION – MARCH 15, 2012

*BY*  
STUART SANDERS, STATE CERTIFIED  
GENERAL REAL ESTATE APPRAISER, CG 1738

HANK BROYLES, STATE REGISTERED  
REAL ESTATE APPRAISAL TRAINEE, SR 3635

PARRISH APPRAISALS, INC.  
P.O. BOX 846  
FAYETTEVILLE, ARKANSAS 72702





MARCH 19, 2012

Sandra Bennett  
Fayetteville Advertising & Promotion Commission  
Fayetteville Town Center Building  
Fayetteville, AR 72701

RE: Restricted Use Report regarding the **Minimum Market Value** of a commercial building and lot located at 1 Center Street, Fayetteville, Washington County, Arkansas.

TO: Sandra Bennett;

Pursuant to your request, I have conducted an investigation of and improved tract of land located at **1 Center Street, Fayetteville, Washington County, Arkansas.**

The purpose of this Analysis Report is to estimate and assist the client in establishing market value for use in internal decision matters as of March 15, 2012.

As per our agreement, the data and analysis is presented in a Summary Format and the report does deviate from the USPAP, as permitted upon agreement between client and appraiser. At our client's request, the results of our investigation and analyses, which comprise a **Restricted Use Report Estimate**, are being presented via a **Restricted Use Report Format**. Therefore, the appraiser invokes the departure rule as allowed under Appraisal Standards Nos. 1 and 2, Rule 2-2, adopted by the Appraisal Standards Board on March 22, 1994, effective July 1, 1994, and revised January 1, 2000. Only the Sales Comparison Approach was deemed appropriate. The appraiser's opinions and conclusions set forth in this reports may not be understood without additional information in the appraisers work file. A full file memorandum is maintained in my office.

We certify that, to the best of our knowledge and belief,

- (1) INSPECTION-An interior and exterior inspection of the subject property was conducted on March 15, 2012.
- (2) PROPERTY CHARACTERISTICS-The subject property is an improved commercial plot of land with a 14,278+/-sf two-story building (includes basement) located in the city of

Fayetteville, Arkansas. We are familiar with the physical and economic trends in the subject's market areas from past research and experience.

(3) CONDITIONS OF ASSIGNMENT-This report is intended to assist in establishing market value for use in internal decision matters as of March 15, 2012.

(4) EXTENT OF RESEARCH- Based upon the requirements of the client and the intended use of the report the Cost Approach (Land Only), Sales Comparison Approach, and the Income Approach to value were analyzed and are deemed to be sufficient to solve the appraisal problem.

(5) EXTENT OF DATA RESEARCH - We researched the sales data for this assignment using county records and Sales information using the MLS system. We have researched the sales of lots and office buildings which were considered similar and analyzed comparable sales data in the surrounding area.

#### **LEGAL DESCRIPTION**

A part of block 27 of the Original Town Plat of Fayetteville, Arkansas. Beginning at a point which is 182.52 feet West and 57.60 feet South of the Northeast corner of said Block 27 to the NW corner of a now existing Old Post Office Building; thence with the foundation of said building the following bearings and distances: South 21.45 feet, West 3.9 feet, South 7.85 feet, East 3.9 feet, South 21.6 feet, East 17.2 feet, South 7.0 feet, East 6.3, South 25.65 feet, East 38.3 feet, North 4.2 feet, East 10.6 feet North 18.0 feet, West 4.3 feet, North 10.5 feet, East 17.05 feet, North 6.55 feet, East 3.9 feet, North 7.20 feet, West 3.9 feet, North 24.4 feet, East 3.9 feet, North 7.15 feet, East 3.9 feet, North 3.8 feet, East 2.3 feet, West 2.3 feet, South .5 feet, West 5.65 feet, North 3.9 feet, West 7.15 feet, South 3.9, West 2.15 feet, North 1.05 feet, West 55.2 feet, South 1.1 feet, to the point of beginning, all being situated in Washington County, Arkansas.

#### **REAL PROPERTY INTEREST APPRAISED**

Fee Simple Interest.

#### **INTENDED USE OF THE APPRAISAL**

The purpose of this appraisal is for internal decision matters as of the effective date of the appraisal.

### **EFFECTIVE DATE OF THIS APPRAISAL**

The effective date of the Appraisal is March 15, 2012.

The property was inspected on March 15, 2012.

### **EFFECTIVE DATE OF REPORT**

The effective date of the Report is March 19, 2012.

### **FUNCTION OF APPRAISAL**

The function of this Appraisal is to estimate the Market Value of the subject property, "As Is", for use in internal decision matters.

### **HIGHEST AND BEST USE AS IMPROVED**

The highest and best use for the subject property as improved is for continued us as a commercial restaurant /office building.

### **HYPOTHETICAL CONDITION(s)**

N/A

### **EXTRAORDINARY ASSUMPTIONS**

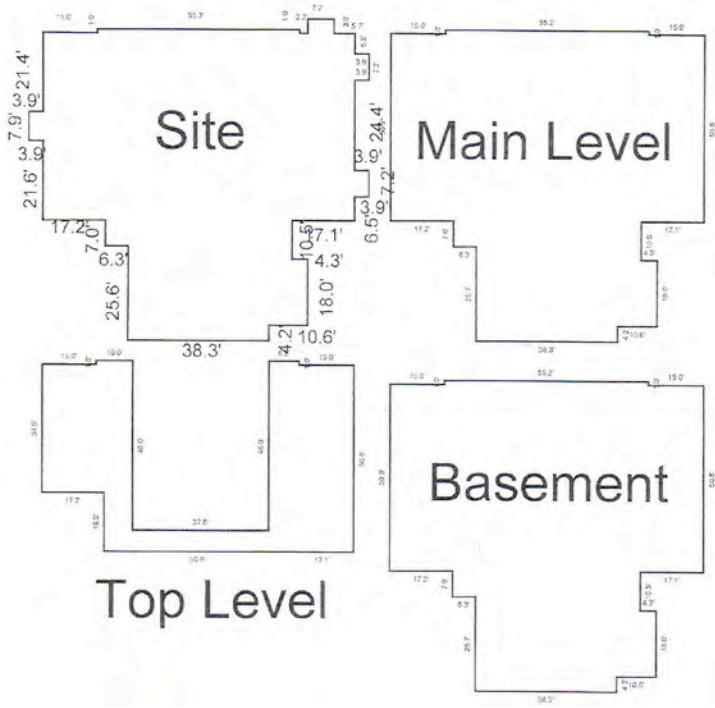
The exact site size for the subject property is unknown as the client did not provide a survey. The site size is based on the legal description provided by the client, which is apparently incorrect. The appraiser has estimated the site size to be 6,050+/- SF. This is considered an extraordinary assumption. The appraiser further assumes that the subject improvements do in fact lie on the subject site. This is nearly impossible to determine without a site survey. If either or both of these extraordinary assumptions prove to be untrue, the appraiser reserves the right to alter the appraisal report and/or its value conclusion.

## **ANALYSIS OF CONTRACT/LISTING**

It is the appraisers understanding that subject property is not currently listed for sale, under option to purchase or under contract. Apparently some recent offers and counter offers have been made concerning the subject property, however, the appraiser has not been presented with these contracts, and is not familiar with their particular terms. We can not comment concerning their validity or whether or not they are at/below/above market value. The property has not changed ownership since at least 1985.

## **SCOPE AND BASIS OF THE APPRAISAL**

This appraisal has been made in accordance with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation (12 C.F.R.). At our client's request, the results of our investigation and analyses, which comprise a **Complete Appraisal**, are being presented via a **Restricted Use Appraisal Report Format** as permitted by Standard 2-2b. The value set forth herein was estimated after application and analysis of the applicable approaches to value, i.e., the Cost (Land Only), Sales Comparison and Income Approaches to value were utilized in this Report. This appraisal included the inspection of the subject property on March 15, 2012, and an analysis of the surrounding neighborhood with recognition of existing and future trends. Market data, including sales and listing of comparable properties were obtained from sources believed to reliable. There was no personal property (except minimal contributory of restaurant fixtures) included in this valuation process.



ents.

AREA CALCULATIONS SUMMARY			
Code	Description	Net Size	Net Totals
iBA1	First Floor	6050.3	
	Top Floor	2406.1	
	Building Footprint	5935.8	
	Basement	5935.8	20328.1
Net BUILDING Area (Rounded)			

BUILDING AREA BREAKDOWN			
	Breakdown	Subtotals	
First Floor			
3.9 x	7.9		30.6
3.9 x	7.2		28.1
3.9 x	7.2		27.9
3.9 x	7.2		27.9
18.0 x	48.9		880.2
4.2 x	38.3		160.9
44.6 x	61.3		2734.0
6.3 x	57.9		364.5
17.1 x	50.8		866.1
17.2 x	50.9		874.6
0.5 x	0.0		0.4
1.0 x	55.2		55.2
Top Floor			
0.5 x	0.0 x	0.1	1.3
25.0 x		34.9	869.5
0.5 x	0.0 x	0.0	0.4
1.0 x		10.0	10.0
8.2 x		51.8	424.8
5.8 x		44.8	259.6
15.0 x		50.8	762.0
7.8 x		10.1	78.7
Building Footprint			
1.0 x		55.2	55.2
18.0 x		48.9	880.2
4.2 x		38.3	160.9
44.6 x		61.3	2734.0
6.3 x		57.9	364.5
11 Items Not Listed			7677.0
36 Items	(Rounded)		20328

## LAND VALUE

The Direct Sales Approach Method was utilized to derive the value of the land "as if" unimproved. Land sales were located in the subject and competing market areas. These sales were compared to the subject "As If Vacant" and adjusted for any differences. Additionally, the land value must be estimated. The following table is a summary of the land sales utilized in this analysis.

### SUMMARY OF LAND/IMPROVED SALES

Sale No.	Location	Sale Price	Sale Date	SF Land	Price/SF
Subj.	1 Center Street - Fayetteville	(Land Only)		6,000	
1	3 East Rock, Fayetteville	\$200,000	07/07	18,630	\$10.74
2	305 N University, Fayetteville	\$131,000	12/10	5,063	\$25.87
3	6thSt/Eastern Ave, Fayetteville	\$350,000	02/09	19,223	\$18.21
4	2372 College Ave, Fayetteville	\$275,000	02/11	19,166	\$14.35

### Statistical Conclusion from Market Data:

**Mean:** \$17.29 per s.f.

**Median:** \$16.28 per s.f.

Land Value @ \$22 SF X 6,050 SF = \$133,100 ....Say \$133,000

<b>Sale</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Price	\$200,000	\$131,000	\$350,000	\$275,000
Square Footage	18,630	5,063	19,223	19,166
Acres	0.43	0.12	0.44	0.44
Price/SF	\$10.74	\$25.87	\$18.21	\$14.35
Property Rights	0	0	0	0
Conditions of Sale	0	0	0	0
Months Since Sale	56	16	37	13
Market Conditions	(\$2.40)	(\$1.66)	(\$2.69)	(\$0.75)
<b>After Market Cond.</b>	<b>\$8.33</b>	<b>\$24.22</b>	<b>\$15.51</b>	<b>\$13.60</b>
Location	6.25	4.84	5.43	4.76
Topography	0.00	0.00	0.00	0.00
Shape	0.00	0.00	0.39	0.61
Size	1.25	0.00	2.33	2.04
Road Frontage	(1.17)	(3.15)	(1.86)	(1.09)
Utilities	0.00	0.00	0.00	0.00
Improvements	0.00	0.00	(1.00)	(1.15)
<b>Indicated Value/SF</b>	<b>14.66</b>	<b>25.91</b>	<b>20.80</b>	<b>18.77</b>
<b>% of Adjustment</b>	<b>37%</b>	<b>0%</b>	<b>14%</b>	<b>31%</b>
<b>Mean</b>	<b>\$20.04</b>			
<b>Median</b>	<b>\$19.79</b>			
<b>Best Sales</b>	<b>\$25.91</b>			
<b>Market Value</b>	<b>\$21.91</b>	<b>Say \$22</b>		

The Subject property is Zoned Main Street Center that allows for commercial office use and the property is improved with a 14,278+/-sq.ft. (includes basement) wood-framed and concrete (brick) Class "C", commercial building on a concrete basement. The effective age of the building is 25+/- years. The economic life of the building is estimated at 80 years. The structures general appeal is considered to be average.

The commercial sales comps are considered similar to the subject and are to be used in the Direct Sales Comparison Approach listed in the Summary below.

#### SUMMARY OF IMPROVED SALES – BUILDING ONLY

Sale	Address	Sale Date	Sale Price	SF Bldg.	Sale Price Per SF
<b>Subj.</b>	<b>1 Center St -Fayetteville</b>			<b>14,278</b>	
1	106 Block, Fayetteville	10/11	\$242,000	6,889	\$26.10
2	315 W. Mountain, Fayetteville	09/11	\$575,000	6,144	\$58.43
3	115 N. Block St, Fayetteville	12/11	\$425,000	2,705	\$84.80
4	509 Spring St, Fayetteville	02/11	\$1,850,000	45,000	\$27.60
5	15 Church St, Fayetteville	08/11	\$256,000	6,689	\$10.65
6	113 Walnut Ave, Rogers	04/11	\$267,000	6,500	\$41.08

Sale Price	1 \$242,000	2 \$575,000	3 \$425,000	4 1,850,000	5 \$256,000	6 \$267,000
Property Rights	0	0	0	0	0	0
Conditions of Sale	0	0	0	0	0	0
Months Since Sale	5	6	3	13	7	11
Market Conditions	(\$2,420)	(\$6,900)	(\$2,550)	(\$48,100)	(\$3,584)	(\$5,874)
<b>After Mkt Cond.</b>	<b>\$239,580</b>	<b>\$568,100</b>	<b>\$422,450</b>	<b>\$1,801,900</b>	<b>\$252,416</b>	<b>\$261,126</b>
Site Value	130,000	216,000	110,000	600,000	175,000	26,000
Time Adjustment	(\$2,600)	(\$5,184)	(\$1,320)	(\$31,200)	(\$4,900)	(\$1,144)
Updated Site Value	\$127,400	\$210,816	\$108,680	\$568,800	\$170,100	\$24,856
Site Adjustment	\$5,600	-\$77,816	\$24,320	-\$435,800	-\$37,100	\$108,144
Gross Building Size	4,291	6,144	2,705	45,292	6,689	6,482
Bld Size Adj.	\$170,142	\$92,316	\$236,754	-\$775,950	\$69,426	\$78,120
Extra Features	\$130,000	\$130,000	\$109,000	\$100,000	\$130,000	\$130,000
Building Age	\$0	\$0	-\$39,400	-\$218,750	\$105,000	\$24,100
Building Quality	\$16,800	\$53,900	\$47,250	\$93,800	\$12,200	\$48,200
Historic Premium	\$30,300	\$71,900	\$53,100	\$231,250	\$32,000	\$33,400
Site Improvements	-\$2,500	-\$4,200	-\$5,700	-\$8,900	-\$8,900	\$0
<b>Indicated Value</b>	<b>\$589,922</b>	<b>\$834,200</b>	<b>\$847,774</b>	<b>\$787,550</b>	<b>\$555,042</b>	<b>\$683,090</b>
% of Adjustment	144%	45%	99%	-57%	117%	156%
Weighted	1	2	1	2	1	1
<b>Mean</b>	<b>\$716,263</b>					
<b>Median</b>		<b>\$735,320</b>				
<b>Weighted Average</b>		<b>\$739,916</b>				
<b>Market Value</b>			<b>\$730,500</b>			

### **INCOME APPROACH**

The income approach to value is predicated on the assumption that there is a direct relationship between the amount of income a property produces and its market value. In this approach, the appraiser processes expected future income benefits into an indication of value. Value is therefore the present value of future income a property will likely generate. This approach depends upon the accuracy of three basic steps; they are: forecasting income and expenses; deriving a net income and selecting or developing an appropriate rate; and capitalizing the net income at an appropriate rate of return by the property method.

In applying the income approach, the appraiser follows certain steps. He projects the quantity of the prospective gross income after considering the record of actual gross income in previous years and current contract rent, market rental rates for comparable space and the effect of vacancy and/or credit loss. He projects the quantity of expenses after considering the record of actual expenses for previous years, and expense histories of comparable properties, and by abstraction, computes the expected net operating income to be capitalized. The Income Stream is analyzed by way of several methods as follows:

1. Obtain actual rent schedules for the property being appraised as well as the comparable properties in the area, then derive the gross rental data as well as projected gross income expectancy.
2. Appraiser obtains and analyzes the actual occupancy data for the subject property and for the comparable properties in the area. Then a projected occupancy rate is estimated for the subject property which is deducted from the gross income to arrive at an adjusted gross income estimate.
3. Appraiser obtains and analyzes expense data such as taxes, insurance, utilities, and other pertinent costs for the property being appraised and other comparable properties in the

area. An expense estimate is derived for the property which is deducted from the adjusted gross income to derive a net income estimate.

4. An estimate of the remaining economic life is made to establish an estimated life of the income stream.
5. Appraiser selects the appropriate capitalization rate.
6. Using capitalization rate, appraiser derives estimated market value by way of net income.

The net income is capitalized by the appropriate rate and method, to derive an estimate of value for the property being appraised, by the formula, Value = Income divided by Rate.

#### **ANALYSIS OF GROSS ECONOMIC RENT AND GROSS INCOME ESTIMATE**

The subject property is an improved restaurant/office building. Improved office rentals have been utilized. The property is an occupied office building with parking area. The typical lease arrangement for this property type is a triple net agreement. The Lessee pays utilities, taxes and maintenance costs, and some improvement costs when desired by the tenant (Lessee). In any event, proper appraisal technique dictates that income and expenses be derived from the marketplace.

#### **SUMMARY OF RENTAL DATA**

The subject property consists of one, 14,278 sq. ft. (includes basement area) commercial restaurant/bar/office structure, to be occupied by three or more tenants. The property is currently about 10%. The property is in below average condition and it is assumed that it might be leased on a gross basis, with the Lessor responsible for actual expenses, including routine maintenance and utilities.

**TOTAL PROJECTED GROSS RENTAL INCOME      \$117,912**

Listed below are the subject's actual rentals which are indicative of the Central Fayetteville Restaurant/Office Market:

<b>Lessor</b>	<b>Suite #’s</b>	<b>Projected</b>	<b>Square Ft.</b>	<b>Rate/SF/YR</b>
<b>Monthly Rents</b>				
<b>Vacant Basement</b>	Basement	\$2,968	5,936	\$6.00
<b>Vacant Restaurant/Bar</b>	Street	\$4,452	5,936	\$9.00
	Level			
<b>Partially Occupied</b>	Upper	\$2,406	2,406	\$12.00
<b>Office Space</b>	Level			
<b>Average Blended Rate</b>				\$7.26

The subject property consists of a total of 14,278 +/- SF. Subject's rents support a blended rate of \$7.26/SF/YR for the subject.

Gross Potential Operating Income (GPI) is the total income that the property could be expected to produce at full (100%) occupancy, with no deduction for possible collection loss. The subject property will be a mixed use building with full occupancy. Projected GPI for the first (1st) year of the projected holding period is **\$117,912**.

Vacancy & Collection (V&C) Loss refers to the periodic loss of potential gross operating income due to a projected stabilized rate of vacancy or uncollected rents (etc.) over an entire holding period. It is usually stated as a percentage of potential gross operating income.

When the purpose of analysis is to obtain an indicated Market Value, determination of the appropriate allowance for this consideration should be based on the typical rates of vacancy and/or collection loss for the type of property being analyzed. In this regard, a reasonable allowance for V & C Loss is typically warranted -- even if the property being analyzed has a history of 0% V & C Loss, or is leased (at full occupancy) for the foreseeable future. This is true, for instance, where typical operations of similar properties reflect losses of potential gross income due to these causes. Based on similar properties in the market area the property should experience approximately 82% occupancy.

The subject's vacancy is actually 90+%. However the market (4th Quarter 2011, Skyline Report) as a whole indicates a vacancy of approximately 17.6%. The V & C Loss used in this analysis is 18% or **\$21,224**.

Effective Gross Operating Income (EGI) is the gross income amount actually realized from operation of a property. It is calculated by deducting anticipated market vacancy and collection loss from potential gross operating income. As illustrated by the following income and expense summary, projected Effective Gross Operating Income for the first (1st) year of the projected holding period is \$96,688.

Variable Operating Expenses refers to those operating expenses which are often directly influenced by occupancy and/or collection levels for the property being analyzed.

Variable Operating Expenses typically include such expense categories as: Accounting, Administration, Advertising, Contract Services, Repair & Maintenance, Management, Utilities, Etc. In other words, Variable Operating Expenses include any legitimate operating expense (other than Fixed Operating Expenses and Reserves for Replacement) which would typically be incurred in operating an income producing property under sound management practices. As illustrated by the following income and expense summary:

<b>Variable Operating Expense</b>	
<b>Management (Market Rate @ 5% of EGI)</b>	<b>\$4,834</b>
<b>Maintenance/Repairs (Market Rate @ 5% of EGI)</b>	<b>\$4,834</b>
<b>Estimated Miscellaneous Expense</b>	<b>\$1,000</b>

Variable Operating Expenses for the first (1st) year of the holding period are projected at \$10,669.

Fixed Operating Expenses refers to those operating expenses which are not usually influenced by occupancy and/or collection levels for the property being analyzed.

Since the Assessed Value of a property, and its resulting property tax liability, is not usually considered to be effected by variations in occupancy levels, Property Tax is generally considered to be a Fixed Operating Expense. Likewise, Real Estate Insurance expense is generally regarded as being a Fixed Expense since it is relatively unaffected by yearly variations in a property's occupancy level. As illustrated by the following income and expense summary:

<b>Fixed Operating Expense</b>	
<b>Property Tax (Based on actual)</b>	<b>\$5,822</b>
<b>Estimated Building Insurance (Market Rate (.31/sf))</b>	<b>\$ 4,400</b>

Fixed Operating Expenses for the first (1st) year of the holding period are projected at \$10,222.

The Replacement Reserves (Reserves) Operating Expense category is a projected allowance for periodic

replacement of short lived component parts of real estate improvements. This expense category accounts for those reasonably anticipated future expenses that normally occur less frequently than once a year.

In projecting the appropriate replacement reserves allowance, care has been taken to avoid duplication of normal repair & maintenance expenses. Expenses for such things as roof repairs, interior and/or exterior painting, and other normal maintenance items are typically not considered under replacement reserves. As illustrated by the following income and expense summary, projected Reserves for the first (1st) year of the holding period are projected at \$3,033.

Net Operating Income (NOI) is that annual income amount left over after all operating expenses have been deducted from effective gross operating income. As shown below, this income capitalization analysis does not consider annual debt service or income tax as operating expenses. NOI for the first (1st) year of the holding period is projected at \$72,764

An Overall Capitalization Rate (OAR) is a ratio of one year's Net Operating Income to the Value of the property that produces that income.

It is used in the Income Capitalization Approach to convert anticipated future income into an indicated value. When the rate is applied directly to the forecast income (dividing the income by the rate), the procedure is called "Direct Capitalization".

An OAR can be obtained by various generally accepted methods and/or techniques. These include: the Comparative Method, Band-of-Investment Techniques, the Built-Up Rate Method, Yield Analysis Methods, and others. Regardless of how its obtained, an OAR is nothing more than a measure of the relationship between a property's Value and its NOI for one (particular) year.

Mortgage Constant (Rm) is the ratio of uniform annual mortgage payments (principal and interest) to the initial loan amount. It is analogous to a mortgage capitalization rate.

An Equity Dividend Rate (Re) is a ratio of one year's Equity Dividend to the Value of initial Equity Investment. For Appraisal Purposes, the equity capitalization rate for the subject property is the anticipated return to the investor, usually for the first year of the holding period.

The following terms are indicated by Northwest Arkansas Financial Institutions on mortgage loans on properties of the subjects nature:

<b>Typical Interest Rate (Variable)</b>	<b>7.5%</b>
<b>Amortization Period</b>	<b>20 Year</b>
<b>Loan to Value Ratio</b>	<b>80%</b>
<b>Annual Constant (based on 7.5%, 20 year term)</b>	<b>.0966712</b>
<b>Debt Coverage Ratio</b>	<b>1.2-1.25</b>

The First Quarter issue of "Valuation Insights and Perspectives", published by the Appraisal Institute provides a range of 5.0% to 10.%, and an average of 6.95% for Class A CBD Office property type investments in the third quarter of 2011. Subject is not Class A Space. They utilize the KORPACZ REAL ESTATE INVESTOR SURVEY conducted by PricewaterhouseCoopers LLP.

Band of Investment or weighted average formula for deriving at an Overall Rate when the mortgage constant and equity dividend rates are known is:

$$\begin{aligned} Ro &= M \times Rm + (1-M) \times Re \\ \text{Therefore: } &= (.80 \times .0966712) + (.20 \times .090) \\ &= .077 + .018 \\ &= .095 \end{aligned}$$

Utilizing the Debt Coverage Formula, the following Overall Rate is indicated:

$$\begin{aligned} Ro &= L/V \text{ Ratio} \times Rm \times \text{Debt Coverage Ratio} \\ &= .80 \times .0966712 \times 1.25 \\ &= .096 \end{aligned}$$

Considering Band of Investment, The Debt Coverage Formula and Market Abstraction, an Overall Rate of 10% is considered applicable for the subject.

Value = Proposed Net Operating Income/Overall Rate

Value	=	\$72,764/.10
Value	=	\$727,640
Say		\$728,000

### SUMMARY OF INCOME APPROACH

**The Mortgage Equity Capitalization Method is being used to project expected future income from the subject property.** The estimated value of the Subject property via the Income Approach is = \$728,000.

Therefore the indicated value by use of the Income Approach to Value "As Is", as of March 15, 2012 is:

**SEVEN HUNDRED TWENTY-EIGHT THOUSAND DOLLARS**

**\$728,000**

I certify that, to the best of our knowledge and belief,

- (1) The statements of fact contained in this report, upon which the analysis, opinions and conclusions expressed herein are based, are true and correct.
- (2) The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and is our personal, unbiased professional analyses, opinions and conclusions.
- (3) I have no present or prospective interest in the property that is the subject of this analysis and I have no personal interest or bias with respect to the property or parties involved with this assignment.
- (4) My compensation is not contingent upon an action or event resulting from the analyses, opinions or conclusions in, or use of, this report, or upon developing or reporting of a predetermined value or direction of value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the use of the appraisal.
- (5) This assignment was not based upon a requested minimum value, a specific valuation, or the approval of a loan.
- (6) My analyses, opinions and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP), as promulgated by the Appraisal Standards Board of the Appraisal Foundation, and the Code of Professional Ethics and Standards of the National Association of Master Appraisers.

I hereby certify that I have inspected the property described, by way of a "Complete Physical Inspection." It is felt that all data gathered by my investigation is from sources believed reliable and true.

According to Standards Rule 2-2(c), a Limited Restricted/Summary Appraisal Report should have these minimum requirements:

- Describe the extent of the process, collecting, confirming and reporting data.
- State all assumptions and limiting conditions that affect the analyses, opinions and conclusions.
- State the appraisal procedures followed, state the value conclusion and reference the existence of specific file information in support of the conclusion.

- State the appraiser's opinion of highest and best use of the real estate, when such an opinion is necessary and appropriate.
- State the exclusion of any of the usual valuation approaches.
- Contain a prominent use restriction that limits reliance on the report to the client and warns that the report cannot be understood properly without additional information in the work file of the appraiser, and clearly identify and explain permitted departures from the specific guidelines of Standard 1.
- Include a signed certification in accordance with Standards Rule 2-3.

The function of this appraisal is to assist the client in determining a fair and equitable Market Value of the subject property. The value estimate is based on the real property only. No furniture, equipment or personal property is included in the value estimate.

The value is based on the definition of Market Value as set forth by the FIRREA Act of 1989, effective August 24, 1990. Please refer to the definition in Exhibit "A" following this letter.

In the accompanying report, you will find the results of my investigation containing the facts, analysis and conclusions pertaining to the subject property and the final estimate of value.

As a result of investigation, studies and analyses of sales, offers of sales, and all factors in the marketplace which affect value, it is the opinion and judgment of the appraiser on March 15, 2012, that the analysis supports a **Land Value of:**

**ONE HUNDRED THIRTY THREE THOUSAND DOLLARS**  
**\$133,000**

As a result of investigation, studies and analyses of sales, offers of sales, and all factors in the marketplace which affect value, it is the opinion and judgment of the appraiser on March 15, 2012, that the Sales Comparison Analysis supports an **Improved Value (Land and Building) of:**

**SEVEN HUNDRED THIRTY ONE THOUSAND DOLLARS**  
**\$ 731,000**

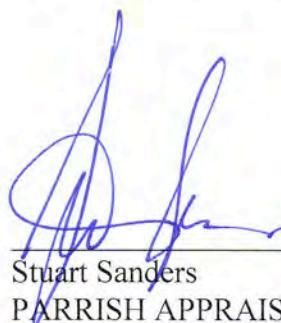
As a result of investigation, studies and analyses of sales, offers of sales, and all factors in the marketplace which affect value, it is the opinion and judgment of the appraiser on March 15, 2012, that the Income Approach Analysis supports an **Improved Value (Land and Building) of:**

**SEVEN HUNDRED TWENTY-EIGHT THOUSAND DOLLARS**  
**\$ 728,000**

As a result of investigation, studies and analyses of sales, offers of sales, and all factors in the marketplace which affect value, it is the opinion and judgment of the appraiser on March 15, 2012, that the Reconciled Analysis supports an **Improved Value (Land and Building) of:**

**SEVEN HUNDRED THIRTY THOUSAND DOLLARS**  
**\$ 730,000**

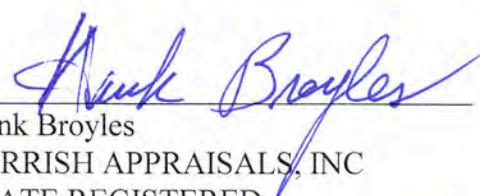
Respectfully submitted,



Stuart Sanders  
PARRISH APPRAISALS, INC.  
STATE CERTIFIED GENERAL  
REAL ESTATE APPRAISER, GC1738



Hank Broyles  
PARRISH APPRAISALS, INC.  
STATE REGISTERED  
REAL ESTATE TRAINEE SR3635



**EXHIBIT "A"**

**Market Value Definition**  
**Financial Institution Reform, Recovery and**  
**Enforcement Act of 1989 (FIRREA)**  
**Effective August 24, 1990**

Market Value means *the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.* Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (1) Buyer and seller are typically motivated;
- (2) Both parties are well informed or well advised, and acting in what they consider their own best interest;
- (3) A reasonable time is allowed for exposure in the open market;
- (4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

## **QUALIFICATIONS OF STUART H. SANDERS**

### **EDUCATION**

July 1999: **University of Texas** at San Antonio  
Bachelor of Business Administration; Finance, Building & Land Development Concentration

### **PROFESSIONAL COURSES COMPLETED**

Real Estate Principles – UTSA—1997; Real Estate Investments – UTSA—1998; Real Estate Appraisal UTSA—1999; Real Estate Finance – UTSA—1999; Building Construction Estimating -- UTSA—1999

**The following courses and exams given by The Appraisal Institute have been successfully completed:**

Course 101– Uniform Standards Of Professional Appraisal Practice, Update -- 2010  
Course 410 – Uniform Standards Of Professional Appraisal Practice, Part A -- 2000  
Course 310 – Basic Income Capitalization -- 2001  
Course 210 – Residential Case Study – 2000  
Course 510 – Advanced Income Capitalization -- 2005  
Course 520 – Highest and Best Use – 2003 (Course Only)  
Course 530 – Advanced Sales Comparison and Cost Approaches – 2004  
Course 540 – Report Writing – 2007  
Course 550 – Advanced Applications -2007 (Course Only)  
General Appraiser Market Analysis & Highest and Best Use - 2009

### **WORK EXPERIENCE**

August 99 – October 2005; Staff Appraiser for Reed & Associates, Inc.— Springdale, AR  
June 06 – Present; Commercial Appraiser for Parrish Appraisals, Inc. – Fayetteville, AR  
Condemnation Work - Cities of Rogers, Springdale, Farmington, Fayetteville, Cave Springs & Bentonville;  
Public Utilities including; Beaver and Two Ton Water Districts, Swepco, Ozark, and Carroll Electric Co's  
Arkansas State Government including; Parks and Recreation, Natural Heritage Commission, Department of  
Transportation.  
United States Government including; Headstart Program, Veterans Administration, Housing and Urban Development

### **RELEVANT COLLEGE COURSES**

Accounting Principles I & II, Business Law, Intro to Communications, Intro to Microeconomics, Intro to  
Macroeconomics, Principles of Finance, Information Systems Mgt., Organizational Theory, Business  
Communications, Strategic Management, Principles of Marketing, Management Science, Business Statistics,  
Principles of Real Estate, Real Estate Investment, Real Estate Mortgage and Banking, Real Estate Law,  
Construction I, Housing and Land Development, Professional Practice, Arch. Documents, Building & Construction  
Estimating, Project Development, Construction Management, Urban Planning, Building and Land Development  
Practicum, Computer Applications in Design I & II.

### **REFERENCES**

Upon Request